

House File 25 - Introduced

HOUSE FILE 25

BY MURPHY

A BILL FOR

1 An Act establishing a veteran employment tax credit pilot
2 project for individual and corporate income taxpayers and
3 franchise taxpayers who hire and employ qualified veterans
4 and including effective date and retroactive and other
5 applicability provisions.

6 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. NEW SECTION. 422.11E Veteran employment tax
2 credit.

3 1. As used in this section, unless the context otherwise
4 requires:

5 a. "Full-time basis" means an average of forty hours of work
6 per week, including all paid holidays, vacations, sick leave,
7 and other paid leave.

8 b. "Qualified veteran" means an individual who meets all the
9 following requirements:

10 (1) The individual is a veteran, as defined in section 35.1,
11 subsection 2.

12 (2) The individual is totally unemployed, as defined in
13 section 96.19, subsection 38, paragraph "a", prior to being
14 hired for employment which qualifies for the tax credit under
15 this section.

16 2. a. The taxes imposed under this division, less the
17 credits allowed under section 422.12, shall be reduced by a
18 veteran employment tax credit for a taxpayer who hires and
19 employs a qualified veteran on a full-time basis in this state
20 on or after the effective date of this Act. The credit shall be
21 available in two parts, equal to the following amounts:

22 (1) Five hundred eighty dollars if the qualified veteran
23 is employed by the taxpayer for one hundred eighty consecutive
24 days.

25 (2) Five hundred eighty dollars if the qualified veteran is
26 employed by the taxpayer for eighteen consecutive months.

27 b. The aggregate total amount of tax credit certificates
28 that may be issued by the department under paragraph "a",
29 subparagraph (1), shall not exceed five hundred eighty thousand
30 dollars. The aggregate total amount of tax credit certificates
31 that may be issued by the department under paragraph "a",
32 subparagraph (2), shall not exceed five hundred eighty thousand
33 dollars.

34 3. The credit shall not be allowed for a qualified veteran
35 who was hired to replace an individual whose employment

1 was terminated within the twelve-month period preceding
2 the date the veteran is hired. However, if the individual
3 being replaced left employment voluntarily without good
4 cause attributable to the employer or if the individual was
5 discharged for misconduct in connection with the individual's
6 employment as determined by the department of workforce
7 development, the credit shall be allowed.

8 4. To receive the veteran employment tax credit, a taxpayer
9 must submit an application to the department, made in the
10 manner and form prescribed by the department. If the taxpayer
11 meets the criteria for eligibility, the department shall issue
12 to the taxpayer a tax certificate for the veteran employment
13 tax credit. The certificate shall contain the taxpayer's
14 name, address, tax identification number, the amount of the
15 credit, the tax year for which the certificate applies, and
16 an expiration date for the certificate. The taxpayer must
17 file the tax credit certificate with the taxpayer's income tax
18 return in order to claim the tax credit.

19 5. Tax credit certificates shall be issued on an earliest
20 filed basis. A taxpayer who fails to apply for and receive
21 a tax credit certificate under subsection 2, paragraph "a",
22 subparagraph (1), for a qualified veteran shall be ineligible
23 to receive a tax credit for that qualified veteran under
24 subsection 2, paragraph "a", subparagraph (2).

25 6. Any credit in excess of the tax liability shall be
26 refunded. In lieu of claiming a refund, a taxpayer may
27 elect to have the overpayment shown on the taxpayer's final,
28 completed return credited to the tax liability for the
29 following tax year.

30 7. An individual may claim the tax credit allowed a
31 partnership, limited liability company, S corporation, estate,
32 or trust electing to have the income taxed directly to the
33 individual. The amount claimed by the individual shall be
34 based upon the pro rata share of the individual's earnings of
35 the partnership, limited liability company, S corporation,

1 estate, or trust.

2 8. This section is repealed June 30, 2017, or thirty days
3 following the date on which one million one hundred sixty
4 thousand dollars in total credits have been allowed, whichever
5 is earlier.

6 Sec. 2. Section 422.33, Code 2013, is amended by adding the
7 following new subsection:

8 NEW SUBSECTION. 15. *a.* The taxes imposed under this
9 division shall be reduced by a veteran employment tax credit
10 allowed under section 422.11E.

11 *b.* This subsection is subject to repeal pursuant to section
12 422.11E, subsection 8.

13 Sec. 3. Section 422.60, Code 2013, is amended by adding the
14 following new subsection:

15 NEW SUBSECTION. 12. *a.* The taxes imposed under this
16 division shall be reduced by a veteran employment tax credit
17 allowed under section 422.11E.

18 *b.* This subsection is subject to repeal pursuant to section
19 422.11E, subsection 8.

20 Sec. 4. PILOT PROJECT — EVALUATION. The tax credit
21 provided in this Act for taxpayers who hire and employ
22 qualified veterans is viewed as a pilot project to gauge
23 the feasibility of using such an approach to increase the
24 employment of veterans in this state.

25 The department of workforce development and the department
26 of revenue shall review and evaluate the pilot project
27 established in this Act and determine the benefits to the
28 state. A report from each department shall be filed with
29 the general assembly no later than January 15, 2015, and
30 shall contain its evaluation and recommendations, especially
31 with regard to the creation of a permanent qualified veteran
32 employment tax credit as part of the state's effort to increase
33 the employment of veterans in this state. However, the
34 departments may file a joint report if this would prove more
35 beneficial to the general assembly and the evaluation of the

1 pilot project.

2 Sec. 5. EFFECTIVE UPON ENACTMENT. This Act, being deemed of
3 immediate importance, takes effect upon enactment.

4 Sec. 6. RETROACTIVE APPLICABILITY. This Act applies
5 retroactively to January 1, 2013, for tax years beginning on
6 or after that date.

7 Sec. 7. APPLICABILITY. This Act applies to qualified
8 veterans hired on or after the effective date of this Act.

9

EXPLANATION

10 This bill provides a refundable individual and corporate
11 income tax credit and franchise tax credit for the hiring and
12 employment of qualified veterans in this state. "Qualified
13 veteran" is defined as an individual who is a veteran and is
14 totally unemployed.

15 The credit is available to a taxpayer who hires and employs
16 a qualified veteran for employment on a full-time basis in this
17 state on or after the effective date of the bill. "Full-time"
18 basis is defined as an average of 40 hours of work per week.
19 The credit is available in two parts. The first part of the
20 credit is equal to \$580 if the qualified veteran is employed
21 by the taxpayer for 180 consecutive days. The second part
22 is equal to \$580 if the qualified veteran is employed by the
23 taxpayer for 18 consecutive months. The second part of the
24 credit is unavailable to a taxpayer for the employment of a
25 qualified veteran if the taxpayer did not receive the first
26 part of the credit for that particular qualified veteran.

27 The credit is not allowed if the qualified veteran was
28 hired to replace an individual whose employment was terminated
29 within the 12-month period preceding the date the qualified
30 veteran was hired, unless the individual left employment
31 voluntarily without good cause attributable to the employer or
32 was discharged for misconduct as determined by the department
33 of workforce development.

34 To receive the tax credit, a taxpayer must submit an
35 application to the department of revenue and receive a tax

1 credit certificate, then attach the certificate to the
2 taxpayer's tax return.

3 The total amount of tax credits that may be issued by the
4 department of revenue shall not exceed \$580,000 for each
5 part of the credit, for a total of \$1,160,000. Tax credit
6 certificates shall be issued on an earliest filed basis.

7 An individual may claim the tax credit allowed a
8 partnership, limited liability company, S corporation, estate,
9 or trust electing to have the income taxed directly to the
10 individual. The amount claimed by the individual shall be
11 based upon the pro rata share of the individual's earnings of
12 the partnership, limited liability company, S corporation,
13 estate, or trust.

14 The credit is repealed on June 30, 2017, or 30 days following
15 the date on which \$1,160,000 in total credits have been
16 provided, whichever is earlier.

17 The bill provides that the veteran employment tax credit
18 is a pilot project to gauge the feasibility of using such an
19 approach to increase the employment of veterans in this state.
20 The department of workforce development and the department of
21 revenue are required to evaluate the pilot project and submit
22 a joint or separate report to the general assembly no later
23 than January 15, 2015. The report shall contain evaluations
24 and recommendations with regard to the creation of a permanent
25 qualified veteran employment tax credit as part of the state's
26 effort to increase employment of veterans in this state.

27 The bill takes effect upon enactment and applies
28 to qualified veterans hired on or after that date, and
29 retroactively to tax years beginning on or after January 1,
30 2013.